

SHOPPING FOR A HOME IMPROVEMENT LOAN

Questions you should ask when shopping for a home-improvement loan:

DOES THE LENDER HAVE A LOAN LICENSE IN INDIANA WITH THE DEPARTMENT OF FINANCIAL INSTITUTIONS? (317-232-4955 OR 800-382-4880)

A loan license in Indiana is not required for Supervised financial institutions such as banks, credit unions, etc. A loan license is also not required if the lender does not have a place of business in Indiana. If not an Indiana resident, check with your state's Department of Financial Institutions.

IS THE HOME IMPROVEMENT CONTRACTOR FILED WITH THE DEPARTMENT OF FINANCIAL INSTITUTIONS?

Credit sellers or Servicers who handle their own financing or assign financing to a lender are required to be filed.

ARE THERE ANY CLOSING COSTS?

Examples of closing costs are origination fees, title insurance, points, etc. Many lenders offer home improvement loans with no closing costs.

WHAT IS THE INTEREST RATE BEING OFFERED FOR THIS LOAN?

Rates will vary from lender to lender. Look in your local paper for ads for mortgage loans to get current rates.

COULD I GET A BETTER RATE BY REFINANCING MY FIRST MORTGAGE?

Maybe. Rates are usually higher for home improvement loans than for first lien mortgages. Refinancing of your first mortgage for home improvements would depend on the rate at the time for first mortgages. If they are higher than your existing mortgage, don't refinance your existing mortgage; take out a second mortgage for a shorter term. See our Brochures on Refinancing Your Mortgage and Second Mortgages and Refinancing.

IS THE LOAN SIMPLE INTEREST?

The loan should be a simple interest loan, which means your interest is calculated daily and is based on your principal balance.

WILL THE LENDER FINANCE 100 PERCENT OF THE HOME IMPROVEMENT CONTRACT?

Some lenders will finance only a portion of the contract; others will finance 100 percent.

DOES THE LOAN HAVE A PREPAYMENT PENALTY?

This refers to your ability to make extra principal payments at any time or pay off the loan early without penalty.

BEFORE I CONSIDER ANY HOME IMPROVEMENTS, SHOULD I SHOP AROUND?

Yes. When you have found an improvement company that meets your needs, call your local Better Business Bureau or ask them for references. Make sure they are bonded or insured. Will they guarantee their work?

When you initiate a conditional contract for home improvements, be sure you understand all of the provisions. Some contracts are not completed until the home improvements are completed. Some contracts are completed when the improvements are agreed upon with payments not to begin until the improvements have been completed.

If you are getting a loan for home improvements, be sure all of the improvements are satisfactory before the funds are disbursed to the home improvement company.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



DEPARTMENT OF FINANCIAL INSTITUTIONS
Consumer Credit Division
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204

Shopping For A Home Improvement Loan



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880

